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California Legislature



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July 18, 1977

Letter Report 716.1

Honorable Eugene A. Chappie, Member
Joint Legislative Audit Committee .
Room 2114, State Capitol
Sacramento, California 95814

Dear Assemblyman Chappie:

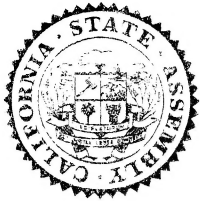
Your Joint Legislative Audit Committee respectfully forwards the Auditor General's letter report on the Direct Marketing Program administered by the Director of Food and Agriculture.

The auditors are Thomas W. Hayes, Audit Manager; and Bill L. Myers.

Cordially,

MIKE CULLEN
Chairman

cc: Speaker of the Assembly
President pro Tempore of the Senate
Members of the Joint Legislative
Audit Committee



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JOHN H. WILLIAMS
AUDITOR GENERAL



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July 13, 1977

Letter Report 716.1

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
Room 5144, State Capitol
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to a resolution of the Joint Legislative Audit Committee, we have reviewed the propriety of creating and funding the Direct Marketing Program as it is administered by the Department of Food and Agriculture. This review was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

Our review included:

- An analysis of the monies and services contributed to support the Direct Marketing Program.
- An analysis of the contributing agencies' authority to make such contributions.
- An analysis of the direct marketing related expenditures from the program's inception on April 1, 1976 through April 30, 1977.

The Direct Marketing Program is intended to bring the consumer into direct contact with the farmers. The Department's role in implementing the Direct Marketing Program is advisory and promotional. The Department maintains a toll-free telephone line during the harvest period to provide a means for farmers and consumers to contact one another; publishes a monthly newsletter to disseminate marketing information; and acts as a facilitator in developing consumer cooperatives and certified farmers' markets. The Department also provides information on the location of farmers who wish to sell their produce directly to consumers.

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
July 13, 1977
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The Food and Agricultural Code gives the Director of the Department of Food and Agriculture authority to administer the following activities:

- Sections 58031 and 58032 provide that the Director may advise farmers on economical distribution of farm products and disseminate impartial information on their supply and demand.
- Section 58039 provides that the Director may act on behalf of consumers to protect their interest in every practicable way.
- Section 58041 provides that the Director may promote, in the interest of farmers and consumers, economical and efficient distribution of any product.

The Department expended a total of \$140,600 in support of the Direct Marketing Program from April 1, 1976 through April 30, 1977. Appendix A contains a summary of the sources and application of these monies. In our opinion, the money and services provided by the state agencies shown in Appendix A were provided within the administrative authority of the responsible chief executive officer. Although we did not perform a financial audit of the Department's financial statements and therefore do not express an opinion on them, the costs incurred in the administration of the Program appear to have been properly charged against Program funds.

The Department of Food and Agriculture reports the following results from the Direct Marketing Program's first year of operation.

- The toll-free number provided go-between services for 28,000 consumers and 266 farmers which resulted in sales of about 1,350 tons of produce.
- The monthly subscriptions to the Direct Marketing Producer Newsletter increased from 285 to 1,500.
- About 20 farmers' markets and six farm trails are now in operation.

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Until greater program experience provides a base for evaluation, comment on the overall effectiveness of the program would be premature at this time.

During this review we also analyzed the authority of the Director of the Department of Parks and Recreation to establish a certified farmers' market at Cal Expo. A farmers' market is a marketing outlet at which farmers sell their produce directly to consumers. Section 1392 of Title 3 of the California Administrative Code provides the following criteria regarding a certified farmers' market:

- A certified farmers' market may be operated by one or more certified farmers or a nonprofit organization.
- The county agricultural commissioner must issue a Direct Marketing Certificate to indicate the farmers' market is a "certified" farmers' market.
- The county agricultural commissioner must issue a Direct Marketing Certificate to certify that the farmer is selling produce grown by himself on land that he controls.
- Only certified farmers may sell produce at a certified farmers' market.
- Certified farmers are exempt from certain size, packaging and labeling regulations.

While the staff of Cal Expo are not actually engaged in operating a certified farmers' market, they have been assigned to the lease negotiations which include helping the market organizers determine which facilities would be needed.

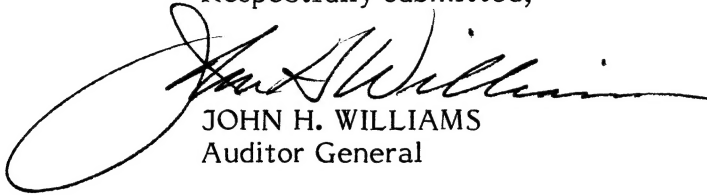
We compared the Cal Expo staff's promotion of the certified farmers' market to their promotion of other concessions and exhibits such as dog shows and gem and mineral shows. In our opinion, the staff assigned to promote a certified farmers' market are performing in a manner consistent with their authority to promote the utilization of Cal Expo facilities.

Office of the Auditor General

Honorable Mike Cullen
Chairman, and Members of the
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We conclude, therefore, that the Director of the Department of Parks and Recreation is acting within his authority and within Department of Food and Agriculture's regulations to lease space at Cal Expo to a nonprofit organization to engage in a certified farmers' market concession.

Respectfully submitted,



JOHN H. WILLIAMS
Auditor General

Staff: Thomas W. Hayes, Audit Manager
B. L. Myers

Attachments: Response to the Auditor General's Report

Appendix A--Direct Marketing--Statement of Source
and Application of Funds for the 13-Month Period
Ended April 30, 1977.

DEPARTMENT OF FOOD AND AGRICULTURE



1220 N Street
Sacramento
95814

July 12, 1977

Mr. John H. Williams
Auditor General
Joint Legislative Audit Committee
925 "L" Street, Suite 750
Sacramento, California 95814

Dear Mr. Williams

We have reviewed the draft report (Report No. 716.1) prepared by your office concerning the Department of Food and Agriculture's Direct Marketing Program.

The information contained in the report appears accurate. We concur with your findings.

Sincerely

A handwritten signature in black ink, appearing to read "R. E. Rominger".

R. E. Rominger
Director
(916) 445-7126

APPENDIX A

DIRECT MARKETING
STATEMENT OF SOURCE AND APPLICATION
OF FUNDS FOR THE 13-MONTH PERIOD
ENDED APRIL 30, 1977

Unaudited^{1/}

Source

Cash Funds

Agricultural Marketing Service, USDA	\$ 45,000
U.S. Civil Service Commission	28,000
Cling Peach and Apricot Advisory Boards	4,500
Agriculture and Services Agency	15,000

In-Kind Services

Agriculture and Services Agency	1,700
Department of Food and Agriculture	41,600
Department of Consumer Affairs	<u>13,800</u>

Total Funds Available	<u>\$ 149,600</u>
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Application

Project Coordinator	\$ 19,700
Personnel Services	76,400
Operating Expenses	
Telephone	19,400
Travel	4,300
Newsletter	3,900
Rent	3,800
General Expense and Overhead	<u>13,100</u>

Total Expenditures	<u>\$ 140,600</u>
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Unexpended Balance of Available Funds	<u>\$ 9,000</u>
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^{1/} We did not perform an audit of this statement and therefore we do not express an opinion on it. This disclaimer of opinion is required by Rule 58.2 of the California Accountancy Act when the name of certified public accountants is associated with unaudited financial statements.

DIRECT MARKETING
STATEMENT OF SOURCE AND APPLICATION
OF FUNDS FOR THE 13-MONTH PERIOD
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